



CALIFORNIA CULTURAL & HISTORICAL ENDOWMENT

January 27, 2009

Dear CCHE Grantees --

This letter is intended to update you on the suspension of reimbursements to Endowment grantees resulting from the State's cash shortage. As I wrote on December 19, 2008, all state departments were notified of a freeze on interim loans from the Pooled Money Investment Account (PMIA) by the Pooled Money Investment Board (PMIB) for all disbursements not authorized or submitted to the Controller for payment before December 17, 2008.

The Department of Finance issued Budget Letter (BL) 08-33 in response to the PMIB's action. BL 08-33 instructs state agencies and departments to:

- (1) Immediately cease authorizing any new grants or obligations for bond projects, including new phases for existing projects;
- (2) Suspend all projects, excluding those for which DOF authorizes an exemption, unless the contracting entity can continue with non-state funding sources (private, local or federal funds); and
- (3) Notify all grant or loan recipients not to enter into any new construction or other agreements that would be funded from "AB55 loans". ("AB55 loans" are temporary loans made to departments and agencies from the PMIA that are reimbursed by the sale of General Obligation (GO) bonds.)

The Department of Finance also instructed agencies and departments to immediately report information on any project which, if suspended, would subject the State to unacceptable legal liability, fines or penalties.

The PMIB met again on Friday, January 16, 2009. The meeting agenda, a complete transcript of those proceedings, and a staff report on the specific issue of the freeze may be found at <http://www.treasurer.ca.gov/pmia-laif/PMIPmeetings.asp>.

The Board is facing an extremely difficult situation as a result of both the lack of action on the State's budget crisis and a weak bond market. In addition, the PMIA fund is currently insufficient to cover all outstanding obligations.

The Board made the decision to utilize existing funds for the following purposes:

- 1) Administrative Costs incurred by the State for bond programs (this is critical because of its impact on the State's already diminished General Fund balance); and

- 2) Unpaid bills under state contracts for work performed (this includes hundreds of millions of dollars in roadwork, school building, and other large scale capital improvement projects undertaken by the state).

The Department of Finance then issued BL 09-03 which, among other things, indicates that the suspension of funding “will remain in effect until such time as they can be reevaluated in light of additional information regarding the condition of the PMIA ...”

Accordingly, the State Library remains unable to make any payments to CCHE Projects to reimburse grantees for work on CCHE projects or for the closure of projects which have been completed. We also remain unauthorized to enter into any grant agreements at this time.

The CCHE has no way to anticipate when funding will become available again for our grantees and, given the weakness in the financial markets and the lack of a State budget solution, don't envision being able to release funding for the foreseeable future.

Projects cannot rely on State bond funds to proceed with their projects and all grantees are advised to not enter into any construction contracts for your projects unless you have non-state resources that you can rely on for the next six to nine months, if not longer.

In December, I noted that we hoped that this would be a short-term situation, but new information seems to suggest that it may take longer to resolve given the general weakness in global financial markets.

We are doing all we can to try to get your reimbursements to you. Please continue to submit your invoices so that the documents are in the queue for when funds become available again.

On behalf of the state, I apologize for this unprecedented situation and thank you for your patience and understanding in this regard.

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and
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